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A MARKET ANALYSIS OF THE DEALER SERVICES GROUP OF ADP

PRESENTED TO GEISCO
APRIL 12, 1985

AGENDA

- OBJECTIVES OF THIS STUDY
- METHODOLOGY
- OVERVIEW
- DEALER MARKET
- ADP POSITION
- PRESENTATION OF FINDINGS
- RECOMMENDED NEXT STEP

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METHODOLOGY

A. INFORMATION PREVIOUSLY GATHERED AS PART OF INPUT'S CONTINUING RESEARCH AND ANALYSIS OF THE INFORMATION SERVICES INDUSTRY.

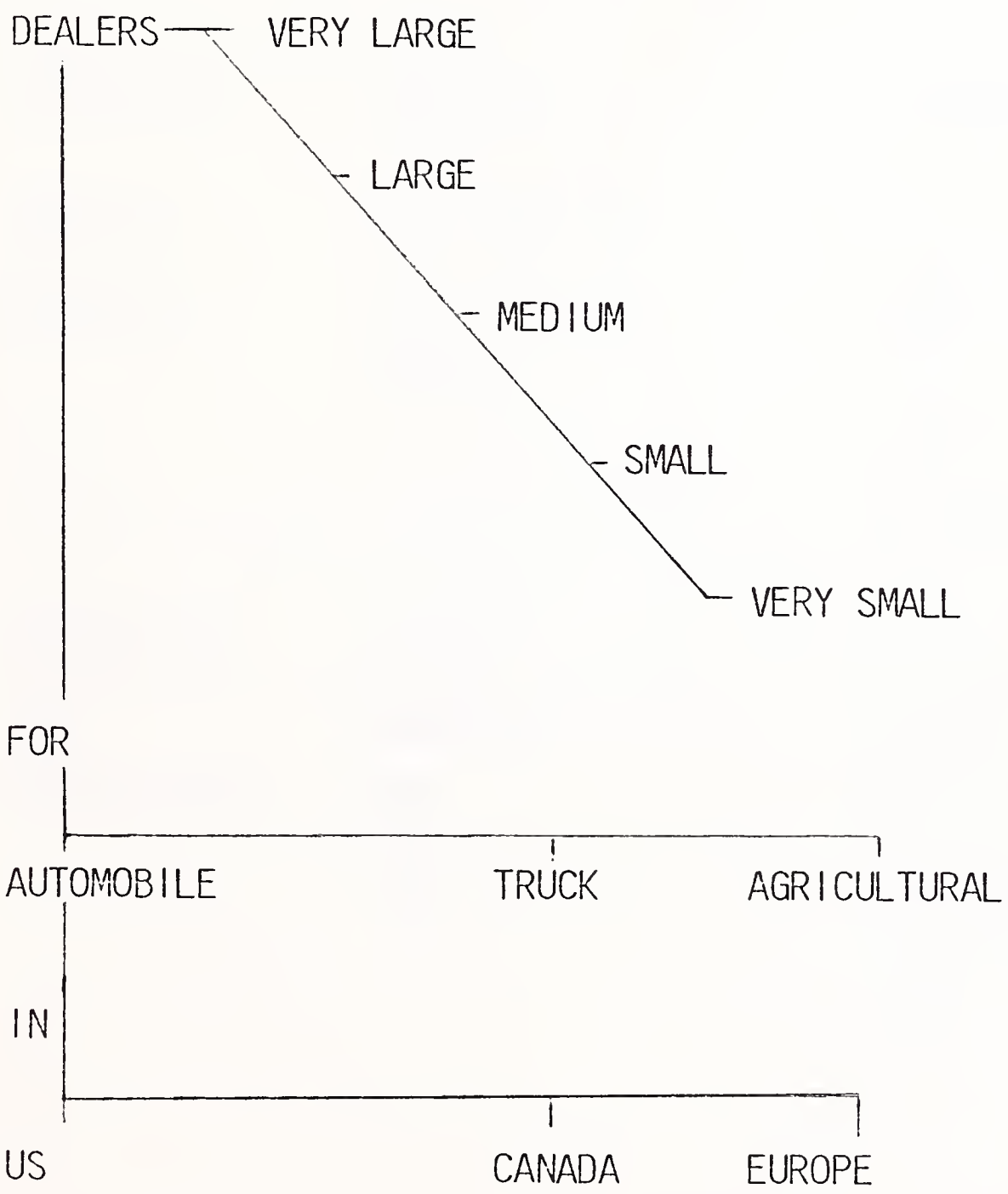
B. INTERVIEWS WITH SOURCES WITHIN ADP, AS WELL AS PERCEPTIONS/REALITIES FROM MAJOR COMPETITORS.

C. INTERVIEWS WITH CUSTOMERS AND INDUSTRY EXPERTS.

STUDY OBJECTIVES

- MARKET OVERVIEW
- CURRENT ORGANIZATION/OPERATING PHILOSOPHY
  - STRUCTURE
  - DEPLOYMENT OF STAFF
  - COORDINATION WITH OTHER ADP ENTITITES
- PLANNING
  - RESPONSIBILITY
  - OBJECTIVES
- MARKETING AND SALES METHODS
  - STRATEGIES
  - SALES APPROACH
  - TACTICAL CONSIDERATIONS
- CURRENT PRODUCT DELIVERY MECHANISMS
- ROLE OF TECHNOLOGY AND COMMUNICATIONS
- FINANCIAL BACKGROUND

MARKET SEGMENTATION



POSSIBLE DEALER SITUATIONS

SITUATION	EXAMPLES	IMPACT ON VENDORS
CAPTIVE DEALERS	FORD (NOT ALL) DEERE TOYOTA	REDUCES MARKET SIZE, SOME VENDORS MAY AID MANUFACT.
ENDORSEMENT FROM MANUFACTURER	NISSAN MERCEDES BMW SAAB	TRY TO OBTAIN EXCLUSIVE ENDORSEMENT, OFFER PRIVATE LABEL

POSSIBLE DEALER
SITUATIONS - (CONT'D)

SITUATION	EXAMPLES	IMPACT ON VENDORS
SINGLE DEALER SITUATIONS	AMERICAN MOTORS CHRYSLER	COMPETE AT DEALER OFFICE
NEED FOR COMMUNICATION BETWEEN DEALER AND FACTORY	NISSAN INTERNATIONAL HARVESTER	SELL ON A NATIONAL ACCOUNT BASIS

MARKET AUTOMATION

	AUTO	TRUCK	FARM
SIZE OF DEALER			
LARGE			
% AUTOMATED	VH	VH	VH
MEDIUM			
% AUTOMATED	H	H	H
SMALL			
% AUTOMATED	M	M	M
VERY SMALL			
% AUTOMATED	L	L	L

LARGE	$10M+
MEDIUM	5 - 10M
SMALL	2 - 5M
VERY SMALL	0 - 2M

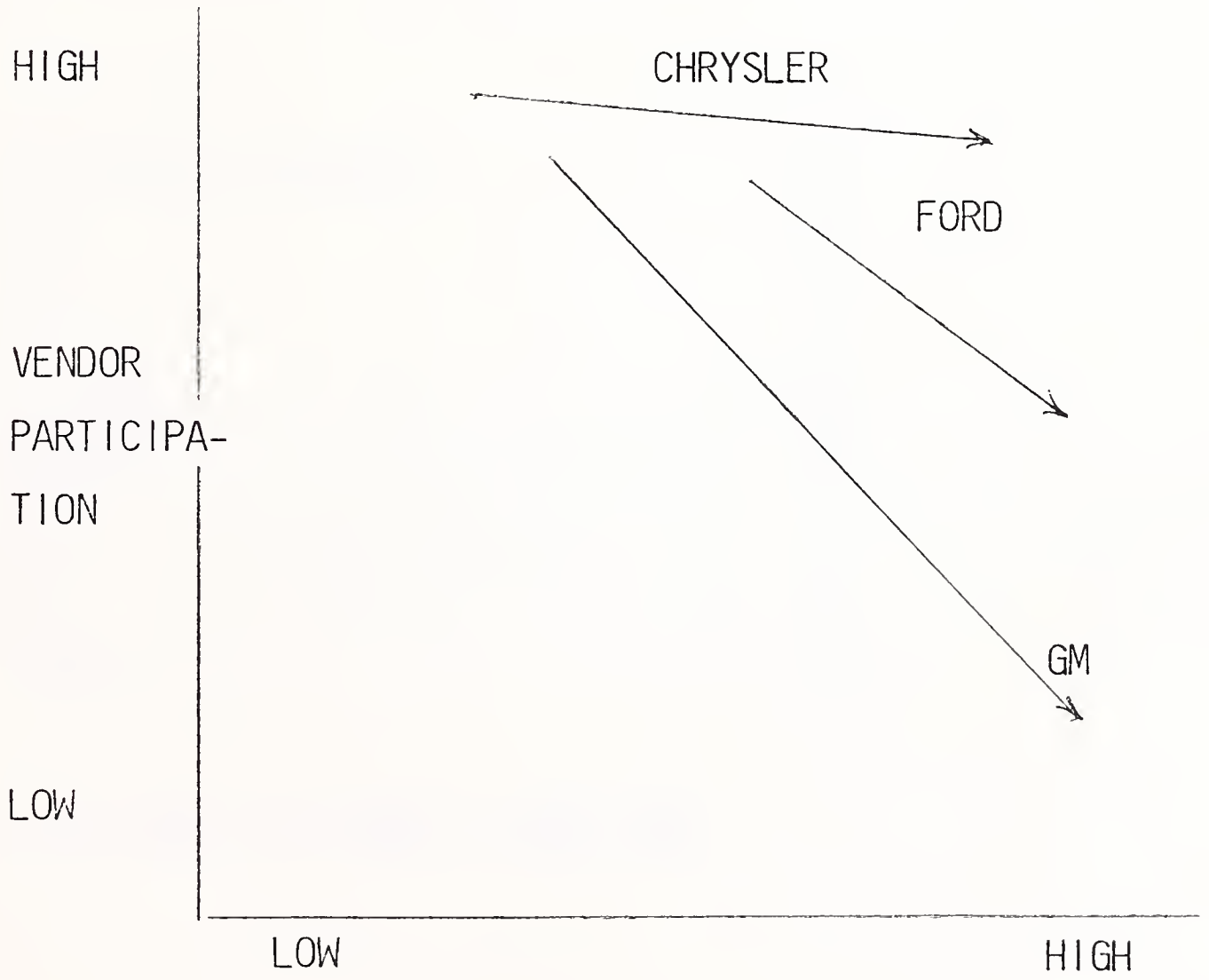
VENDOR STRATEGIES

STRATEGY	VENDOR ADP	VENDOR R & R	VENDOR DYATRON
BATCH/ON-LINE			
CURRENT CUSTOMERS			
MORE VOLUME	1	1	1
NEW PRODUCTS	1	1	1
NEW CUSTOMERS	1	1	1
ON-SITE			
CONVERT CURRENT RCS	5	5	3
SMALL AUTO DEALERS	5	5	4
EQUIPMENT DEALERS	5	5	3
EXPAND TO NON-VEHICLE DEALER SEGMENTS	*	5	4

1 = LOW IMPORTANCE

5 = HIGH IMPORTANCE

AUTO DEALER MARKET:
VENDOR VS MANUFACTURER
PARTICIPATION



MANUFACTURER PARTICIPATION

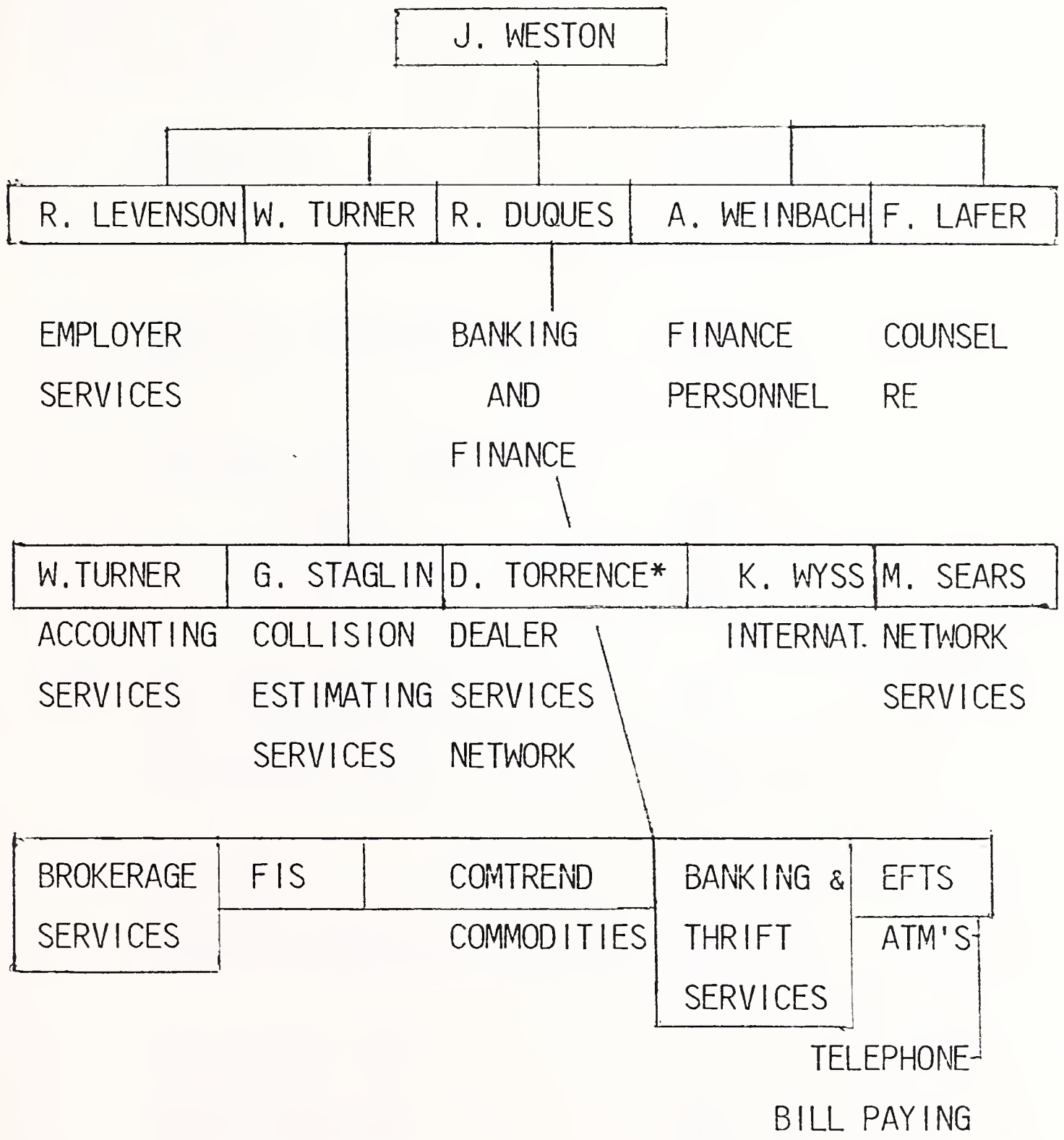
DIRECTION OF ARROW SHOWS CHANGE OVER TIME

COMPETITORS

COMPETITOR	MARKET SHARE ESTIMATE
REYNOLDS & REYNOLDS	36%
ADP	28%
DDC	6%
DYATRON	4%
OAKLEAF	3%
UCS	3%
ATS	3%
OTHER	17%

1984 MARKET ESTIMATE: $400-450M

ADP ORGANIZATION



STAFFING

DEALER SERVICES

FUNCTION	ESTIMATED HEADCOUNT
DISTRICT MANAGERS	115
ACCOUNT EXECUTIVES	
REGULAR	6ØØ
IN-HOUSE	8ØØ
CUSTOMER SUPPORT REPRESENTATIVES	6ØØ
R&D AND PRODUCT PLANNING	15Ø
MANAGEMENT AND ADMINISTRATION	1ØØ

GEOGRAPHIC DISTRIBUTION
OF SALES AND TECHNICAL
REPRESENTATIVES

- REGIONAL CENTERS REDUCED FROM 13 TO 1Ø
  FOCUS ON SUPPORT FROM THESE LOCATIONS

- ABOUT 35 SALES OFFICES HAVE PERSONNEL SOLELY DEVOTED TO DEALER SERVICES: FOCUS ON CONVERSION OF BATCH AND ON-LINE TO ON-SITE AND ATTACK SINGLE DEALER ACCOUNTS USING R&R, DYATRON AND FORD SYSTEMS

- NATIONAL OFFICE
  FOCUS ON NATIONAL ACCOUNTS STRATEGY

DEALER SERVICES
AS PART OF ADP

FUNCTION	LOCUS OF RESPONSIBILITY
PLANNING	DEALER SERVICES/REVIEW BY ADP MANAGEMENT
ANNUAL GROWTH OBJECTIVES	" "
PRODUCT AND MARKETING OBJECTIVES	GROUP PRESIDENT
STAFFING IN U.S.	" "
STAFFING IN EUROPE	PRESIDENT OF INTERNATIONAL
KEY PROGRAMS/ EMPLOYMENT	GROUP PRESIDENT

SIMILARITIES/DIFFERENCES
WITH OTHER ADP DIVISIONS

DEALER SERVICE ACTIVITY	DIFFERENCE/SIMILARITY
ACT AS A SEPARATE ACTIVITY TO A GREAT EXTENT	SIMILARITY
GROUP PRESIDENT ACTS AUTONOMOUSLY IN MOST BUSINESS DECISIONS	SIMILARITY
IN ADDITION TO INDUSTRY SPECIFIC APPLICATIONS, OFFERS ACCOUNTING, PAYROLL AND WP MODULES VIA RCS, AND ON-SITE. (WOULD BRING IN EMPLOYER SERVICES (PAYROLL) REP, IF APPROPRIATE)	BANKING, BROKERAGE AND COLLISION ESTIMATING SERVICES CONCENTRATE MORE ON INDUSTRY SPECIFIC AND BRING IN EMPLOYER (PAYROLL) OR ACCOUNTING SERVICES REPS

SIMILARITIES/DIFFERENCES WITH OTHER ADP DIVISIONS

HAS OWN R&D	SIMILARITY
UTILIZE ADVERTISING IN INDUSTRY PUBLICATIONS. WILL INTRODUCE TELEMARKETING	UTILIZE BOTH IN MOST OTHER ENTITIES
UTILIZE COMMISSIONS AND CONTESTS TO PROMOTE SALES	SIMILARITY
HAVE RESPONSIBILITY FOR NETWORK (CURRENTLY)	OTHER DIVISIONS AND GROUPS ARE CHARGED FOR USE
LIMITED CROSS SELLING	MUCH MORE CROSS SELLING PARTICULARLY FOR BANKING AND BROKERAGE SERVICE

CURRENT PRODUCT DELIVERY
MECHANISMS (1984)

MECHANISM	ESTIMATED ADP PRODUCT MIX	FUTURE CHANGE
BATCH PROCESSING	10-20%	ADP WILL STOP SELLING NEW ACCOUNTS, CONVERT CURRENT ACCOUNTS
ON-LINE	10-20%	SAME AS ABOVE
ON-SITE	80-60%	SWITCH TO 100%

ESTIMATED CLIENT BASE: 5000+

MEANS OF DEVELOPING
PRODUCTS

PRODUCT	MEANS OF DEVELOPMENT
BATCH AND ON-LINE SERVICES/NETWORK	ACQUIRED IN PAST
ON-SITE FOR FRANCHISED DEALERS, MICRO 2000	DEVELOPED BY DEALERS SERVICES FROM BASIC ON-SITE OFFERING (CONTRACT AID UTILIZED)
MICRO 1000 MICROPROCESSOR BASED SYSTEM	DEVELOPED AND ASSEMBLED BY DEALER SERVICES (CONTRACT AID UTILIZED)
DEC INTELLIGENT TERMINAL TO PROVIDE COMMUNICATIONS BETWEEN FACTORY AND DEALERS (INCLUDES INTERNATIONAL HARV)	" "

MEANS OF OBTAINING
GROWTH FOR DEALER SERVICES

- REPLACEMENT OF OTHER DELIVERY MODES WITH ON-SITE SYSTEMS
  - ADP SITES
  - COMPETITIVE SITES

- ADD ON-SITE APPLICATIONS
  - STANDARD DEALER FUNCTIONS
  - FINANCE, INSURANCE

- ADD OTHER/SPECIALIZED SERVICES
  - VIDEO DISK DEMONSTRATION SYSTEM

MARKETING THRUST

OBJECTIVE	SUPPORT MOVE
PROTECT CLIENT BASE	ADJUST COMMISSIONS TO PROMOTE CONVERSION TO IN-HOUSE
CAPTURE COMPETITIVE ACCOUNTS	IDENTIFY WEAK COMPETITORS
	REVISE COMMISSION PLAN AND INCENTIVES TO ATTACK WEAK COMPETITORS
	SUPPORT WITH TELEMARKETING PROGRAM
INCREASE REVENUE PER ACCOUNT	ADD FRONT OFFICE AND SERVICE DEPARTMENT PRODUCTS
SELL NON-AUTOMATED ACCOUNT (LOWER PRIORITY)	MARKET LOW COST PC APPROACH

MARKETING THRUST - (CONT'D)

OBJECTIVE	SUPPORT MOVE
PROMOTE JOINT UNDERTAKINGS WITH FACTORIES, FRANCHISERS (MODEL-INTERNATIONAL HARVESTER)	NATIONAL ACCOUNTS PROGRAM FOCUS ON QUALITY

SALES APPROACH

DEALER SERVICES

FACTORS	IMPORTANCE
PRICING	HIGH, BUT CANNOT UNDERCUT COMPETITORS SINCE MARGINS ARE NARROW
SUPPORT	HIGH-NEED FOR QUALITY TO PROTECT CLIENTS/CONVERT COMPETITION
IMPACT OF SALES REP	HIGH-COLLEGE EDUCATED, STRONG MARKETING AND SERVICE ORIENTED SKILLS
MOTIVATION WITH COMMISSION	HIGH-USED TO DRIVE SALES PEOPLE AND TARGET RESULTS (E.G. ON-SITE)

SALES APPROACH

DEALER SERVICES - (CONT'D)

QUOTAS	HIGH, USE TO DRIVE SALES PERSONNEL
LEAD GENERATION	MEDIUM
TIE IN SALES	LOW
WRITTEN PROPOSALS	HIGH, USE PROPOSALS TO STRESS REPUTATION AND QUALITY
TELEMARKETING	INCREASING TO HIGH

STRENGTHS AND WEAKNESSES OF DEALER SERVICES' MARKET NOW AND IN 5 YEARS

STRENGTH OR WEAKNESS	IMPACT NOW	IMPACT IN 5 YEARS
MARKET BECOMING MORE SATURATED	REVENUE GOALS CAN BE MET BY CONVERTING ADP AND COMPETITORS TO ON-SITE AND SELLING ADD-ONS	LESS LIKELY TO MEET REVENUE GOALS
NATIONAL ACCOUNTS OFFICE	PROVIDES A REVENUE BOOST	MAY BE LESS IN 5 YEARS AS MORE MANUFACTURER SELL TO DEALERS
ADD ON PRODUCTS	MEANS OF INCREASING REVENUE	MAY BE HARD TO CONSTANTLY ADD NEW ONES

STRENGTHS AND WEAKNESSES OF DEALER SERVICES' MARKETS NOW AND IN 5 YEARS - (CONT'D)

USE OF NON IBM ON-SITE	ADP NAME CAN SELL PRODUCT BUT SURVEYS SHOW IBM PREFERENCE	MAY BE NECESSARY TO OFFER IBM ALTERNATIVES
MANUFACTURERS BECOME VENDORS	NOTICEABLE IMPACT ON MARKET	MAY AID MANUFACTURER STRATEGIES; MAJOR S.I. VENTURE MAY EMERGE

USE OF COMPUTERS
IN ON-SITE PROGRAMS

COMPANY	PRODUCT
ADP	MICRODATA AND DEC PC
R&R	IBM PC
DYATRON	IBM PC
FORD	ON-SITE TI
UCS	IBM 37Ø
ATS	ON-SITE TI
OAKLEAF	ON-SITE ASSEMBLED

ADP RELIANCE UPON
VENDOR SUPPORT

ACTIVITY	RELIANCE	IMPACT
INSTALLATION OF ON-SITE MICRODATA	ESTIMATE OF 5 VENDORS INVOLVED	DELAY OF UP TO 2 MONTHS
INSTALLATION OF ON-SITE MICRO	ESTIMATE OF 30 TO 40 VENDORS INVOLVED	DELAY OF UP TO 4 MONTHS
ON-SITE PROGRAMS IN TOTO	INVENTORY INVESTMENT IN VENDOR EQUIPMENT	REDUCED PROFIT MARGINS

FINANCIAL PERFORMANCE

MEASURE	1984 ESTIMATE
GROSS REVENUE INCLUDING HARDWARE, HW MAINTENANCE AND COMMUNICATIONS	120 MILLION
NOI AS PERCENT OF NET REVENUE	15 TO 20%